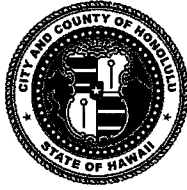


**OFFICE OF THE MAYOR**  
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'23NOV14 AM 9:56 CITY CLERK

RICK BLANGIARDI  
MAYOR  
MEIA



MICHAEL D. FORMBY  
MANAGING DIRECTOR  
PO'O HO'OKELE  
  
KRISHNA F. JAYARAM  
DEPUTY MANAGING DIRECTOR  
HOPE PO'O HO'OKELE

November 9, 2023

The Honorable Tommy Waters  
Chair and Presiding Officer  
and Members  
Honolulu City Council  
530 South King Street, Room 202  
Honolulu, Hawaii 96813

Dear Chair Waters and Councilmembers:

**SUBJECT: Proposed Reprogramming of American Rescue Plan Act (ARPA)  
Grants Program; Balance of Tranche 2**

This letter is a follow-up to a meeting I had with Council Chair Waters and Vice-Chair Kia'aina. Thank you for the opportunity to meet and discuss the proposed reallocation of ARPA State and Local Fiscal Recovery Fund (SLFRF) monies in advance of the City's FY25 budget.

Pursuant to Ordinance 22-14 (2022), Section 17, we are seeking approval to reallocate the remaining balance of Tranche 2 funds (~\$39,011,512.00) to advance payments to the City's Other-Post Employment Benefit ("OPEB") activity (and/or such other FY25 expense category(ies) as identified by Council and the administration), consistent with U.S. Treasury rules and guidelines. U.S. Treasury rules and guidelines authorize recipients to use SLFRF funds to cover a range of services up to the amount of revenue loss experienced during the COVID pandemic. In order to cover OPEB, the SLFRF funds would need to be applied to forward-looking costs after March 3, 2021, obligated by December 31, 2024, and expended by December 31, 2026.

Based on preliminary calculations, the revenue loss experienced by the City and County of Honolulu exceeded the total amount of SLFRF funds received from the U.S. Treasury, meaning all SLFRF funds could have been used as revenue replacement. The administration and Council, however, chose to allocate and program funds for the purpose of direct and indirect community benefits and now, in the face of changing circumstances, the administration seeks approval to reallocate and reprogram remaining program funds to revenue replacement for the FY25 budget.

**MAYOR'S MESSAGE 234**

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Chair and Presiding Officer  
and Members  
November 9, 2023  
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In addition to this request to reallocate Tranche 2 funds, the administration has actively reviewed Tranche 1 projects and we are in the process of recovering funds that are unlikely to be obligated by December 31, 2024 or expended by December 31, 2026, the statutory deadlines. To date we have recovered approximately \$40M, subject to reconciliation. Together, Tranche 1 and Tranche 2 funds will be used to advance payments against City FY25 expenses.

The reallocation and recovery of SLFRF funds would allow the City to have sufficient financial capacity to program funds in the FY25 Operating Budget to support a number of potential atypical expenses including, but not limited to, the payment of hazard pay to eligible essential workers employed by the City during the pandemic. See Council Resolution 23-114.

The above request is submitted for Council's consideration. If we do not hear otherwise from Council within fifteen (15) days of Council's receipt of this letter, consistent with prior practice, we will proceed with programming the remaining balance of unallocated Tranche 2 funds. Attached is an updated list of Appendix A projects that would be deferred as a result of this reallocation process.

My understanding is the Committee on Budget has scheduled this matter for "Discussion" on Tuesday, November 14, 2023. I look forward to briefing the Committee and answering questions.

Very truly yours,

A handwritten signature in black ink, appearing to read 'M. Formby', with a long horizontal flourish extending to the right.

Michael D. Formby  
Managing Director

Attachment

## **Appendix A – Projects To Be Reallocated**

<b>Project Number</b>	<b>Project Description</b>	<b>Estimated Cost</b>
1.	Provide grants to non-profit organizations for provision of services related to assisting homeless or at-risk of being homeless individuals and families and residential and/or inpatient services to address substance abuse and/or mental health issues.	\$5,000,000
2.	Development of City housing to service the 30 percent area median income and below population.	\$5,000,000 (Reso. 23-02,CD1,FD1)
4.	Funding to advance Resilience Strategy Action 3, including: 1) further encouraging the building of Accessory Dwelling Units (ADUs) by improving the ADU permitting process and removing impediments to ADU construction; and 2) supporting the development of mini-homes, kauhale, and other models of communal and community-based housing in districts outside of the Primary Urban Center.	\$2,500,000
6.	Funding for cesspool conversions, especially to low-income owners and in areas where deemed most hazardous to human or environmental health as recommended by Economic Assistance and Revitalization-Stakeholder Advisory Group.	\$5,000,000
17.	Funding for one position to focus on improvements to vacant or abandoned parcels to support households or communities that have been disproportionately impacted by the COVID-19 pandemic.	\$115,682
18.	Funding for current expense for the Honolulu Police Department patrol division.	\$1,000,000
19.	Provide grants to organizations for the promotion of multi-modal transportation options.	\$50,000
20.	Funding for flood mitigation and climate adaption projects to protect local communities from increased storm water and flood risk.	\$4,000,000
21.	Acquisition of asphalt trucks for road maintenance to expand the City's current fleet.	\$300,000
22.	Funding to expand stabilization facilities in partnership with the Honolulu Police Department and the State Department of Health that create a transition for severely mentally ill persons and those with substance abuse issues to become stable and get into longer-term care. This may include infrastructure improvement, acquisition, construction, operations, and programmatic support.	\$1,000,000
23.	Funding for the implementation of a diversion program through a service provider, in collaboration with the Honolulu Police Department, to prevent status offenders from entering the juvenile justice system.	\$550,000
24.	Funding for two positions to focus on the Home Ownership Assistance Grant Program to support households and communities impacted and/or disproportionately impacted by the COVID-19 pandemic.	\$222,968
25.	Funding for the Home Ownership Assistance Grant Program to support households and communities impacted and/or disproportionately impacted by the COVID-19 pandemic.	\$5,000,000
27.	Funding for one position to focus on the rehabilitation and maintenance of special needs housing.	\$115,862

**Appendix A – Projects To Be Reallocated**

29.	Funding to support domestic violence service providers to develop housing options to appropriately house and support those fleeing from domestic violence.	\$2,000,000
30.	Funding for the Department of Community Services, Community Based Development, to: 1) assist with a division reorganization, update of position descriptions, and recruitment; 2) create standard operating procedures, and policies and procedures for managing, administering, and monitoring federal and state awarded housing and homelessness-related funds; and 3) train staff.	\$100,000
45.	Funding for a community-based multi-agency collaborative approach that includes all levels of law enforcement (City, State, and Federal agencies) for the prevention, control, and reduction of violent crimes, drug abuse, and gang activity in Council District 9.	\$150,000